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SUBJECT: CONSERVATIVES SETTING THE STAGE FOR THIS FALL

Ref: A. OTTAWA 1006

- B. OTTAWA 886

- C. OTTAWA 866

¶1. (SBU) Summary: Over the past two months, the Conservative Party has fine-tuned the Cabinet, shaken up its managerial team, and revamped communications strategy to re-group ahead of the return of Parliament in mid-September. The new look was on display at the Conservative caucus summer policy retreat in Levis, Quebec on July 30 and 31, notably by allowing Cabinet ministers much greater inter-play with the media. These changes appear part of renewed efforts to re-position the party for the final phase of this minority government, to move forward on its policy agenda, and to ready itself for a possible fall 2008 federal election. Although the main Conservative theme is that its focus remains on governing, Prime Minister Harper on July 30 again challenged Liberal leader Dion to "fish or cut bait" -- i.e., acquiesce in the Conservative agenda again this fall or face an election. End summary

#### SETTING THE PARTY LINE

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¶2. (U) Conservative members of Parliament and other key party figures gathered in Levis, Quebec on July 30 and 31 for the annual summer caucus retreat. Ministers publicly reiterated that the government is "on track" and will continue to advance its agenda to control spending, to provide prudent economic management, and to crack down on crime, while the party's priority is "governing."

¶3. (SBU) The media welcomed a new Conservative approach to public relations in this year's caucus with the unusual access to key Ministers, a sharp contrast with the earlier tightly controlled events. Defence Minister Peter MacKay briefed reporters on Afghanistan, insisting that NATO must send more troops to RC-South, describing the region as the "flashpoint" of the mission and insisting that Canada will not relent in pressing its partners to send more personnel. Public Safety Minister Stockwell Day and Justice Minister Rob Nicholson praised the party's tough-on-crime agenda and pledged to pursue other new crime bills this fall, including on juvenile justice. Finance Minister Jim Flaherty insisted that Conservative tax measures would add C\$21 billion in "structural" economic stimulus to the economy this year, and held out the prospect of future tax reductions (not actual cuts) to assist Canadians with the rapid rise in the cost of living. Senior Quebec minister Lawrence Cannon indicated that the government would extend greater economic autonomy to the provinces, such as offering a green light to a new labor mobility agreement between Quebec and France.

#### NEW BLOOD

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¶4. (SBU) The apparent new tactics follow a June Cabinet reshuffle (ref c) and the more recent shakeup of the managerial team in the Prime Minister's Office (PMO). New Chief of Staff Guy Giorno took up his duties on July 1, succeeding long-term Harper loyalist Ian Brodie, who also helped plan the recent reorganization. Giorno, a Toronto lawyer and former top aide to Conservative then-Ontario premier Mike Harris in the late 1990s, has a reputation as a smart, aggressive, and highly partisan political operator. He moved

swiftly to streamline reporting structures, to reduce the number of deputy chiefs of staff from three to one, and to replace some key personnel. According to one senior PMO official, upon return recently from vacation, he found half of his colleagues fired or reassigned.

15. (SBU) PM Harper also replaced his highly unpopular (with reporters, at least) Director of Communications, Sandra Buckner, with Kory Teneycke, the former director of the Conservative Resource Group. Teneycke has garnered most of the credit for the more open QGroup. Teneycke has garnered most of the credit for the more open caucus. Pundits expect Teneycke and Giorno to do the heavy lifting to succeed in the immediate goal of winning the next federal election -- perhaps as early as fall 2008 but no later than October 2009 -- as well as the longer-term objective of effecting a durable transformation of Canadian politics.

READY - OR NOT?  
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16. (SBU) In a speech that won widespread coverage nationally (but almost none in Quebec), PM Harper publicly called upon Official Opposition Leader Stephane Dion to "fish or cut bait" by either acquiescing in the Conservative Parliamentary agenda again this fall or by bringing the government down in an early confidence vote and then facing the electorate this fall. The key test for both parties will their performances in the September 8 by-elections in Quebec and Ontario (ref a). Dion continues to send mixed messages on his party's intentions. He recently insisted in an interview that "I want to have elections yesterday," but he has also again emphasized that he will also choose a "good time" for an election, which might be any time "between the fall and October 2009." PM Harper again tweaked Dion on July 31 for showing "poor judgment" in offering the

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Liberals' carbon tax ("Green Shift") and vaguely warned the Liberals not to block the government's agenda this fall.

17. (SBU) Comment: The Liberals remain underfunded and poorly organized, while most Liberal candidates in the 2006 leadership race -- including Dion -- have not even yet repaid their debts. The Conservatives have the more coherent policy agenda and the fatter bank account, but, having already accomplished most of their major agenda items (ref b), have few dramatic legislative achievements left for the upcoming parliamentary session, which will begin on September 15. The shake-up within the PMO likely reflects the Conservatives' assessment that the government may well remain until the obligatory election date of October 19, 2009, under the assumption that -- somewhat to the Conservatives' chagrin -- the Liberals will continue not to call their bluff.

WILKINS